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figured as lenders were practically unknown.[1] The charge of 'unconscionable usury and profiteering' is, in the writer's opinion, not proved.

Professor Raymond Firth has gone into the question of Chinese middlemen in the Malayan fishing industry with considerable care. He says that in this role the Chinese performs important functions. He shoulders a great part of the market risks; he supplies considerable capital, in a liquid form, in consumer's goods, or in producer's goods; and he saves the fishermen much trouble in seeking buyers. On the other hand the same observer adds:

> The system obviously has great dangers. It gives him a monopoly, with little prospect of the fishermen reaping the advantages of the rising market, or of even getting much more than bare subsistence earnings, and it tends very often to place them firmly in his debt, with little chance of extricating themselves and building up their own capital.

Among the Malay fishermen this relationship with the Chinese is variously viewed. One group told Professor Firth that they liked it 'because they can get hold of cash easily'. In several other places, however, the fishermen complained of the low prices they received from the Chinese to whom they were bound to sell. Up to 1939 the attempt of the administration to meet the situation by encouraging co-operative Malay associations for fish-marketing had had only a moderate success.[2]

It should be added that the provision of credit on reasonable terms for productive enterprise is finally the responsibility of the Governments. Much progress has been made in some Southeast Asian countries in the establishment of landbanks, co-operative societies, &c., in the last half-century, but these advanced money only for 'productive' purposes, and in Indonesia the people have still to go to money-lenders to obtain money for wedding, funeral,

[1] A London solicitor who was for many years in Malaya, where he had a large practice, remarked to the writer on 10 February 1949, 'I have never known a money-lending Chinese.' Nor can the writer himself, who had considerable experience as a magistrate and as official assignee and liquidator of companies, recollect any such case.

The writer, on the other hand, has known Britons (of presumed respectability) lending money to Indian chetties at a minimum of 12–15 per cent., who in turn lent it to Malays, Chinese, and others at a rate of interest that can only be guessed!

[2] *Malay Fishermen: Their Peasant Economy*, pp. 14, 61.

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and other expenditure demanded by custom. Moreover, the money-lenders are willing to advance money without the security demanded by landbanks and co-operative societies.

In the matter of trade monopoly it is true that in Siam, Indochina, Indonesia, and the Philippines the Chinese have a virtual monopoly of the rice distribution and milling trades. The Governments of these countries have, to meet the popular agitation, passed legislation to restrict the Chinese share in this trade. The fact that the Chinese maintains his position in face of all this legislation and in face of competition, fair or unfair, is simply because he is so much more competent in the business. Florence Horn (see p. 634) points out that the Filipino politician who charged the Chinese with having half the retail business in their hands changed his ground completely when the reply was made that all the Filipino had to do was to open up a *tienda* on his own and put the Chinese out of business. He then said that the Chinese standard of living was deplorably low, he eats almost nothing and works day and night; therefore he subjects the Filipino to unfair competition! At the same time it must be admitted that the Chinese, having obtained virtual control of some trades, do their best to keep them in their hands and usually employ only their own countrymen. This is naturally galling to the native looking for an opening, but there is a sound business reason for it. They employ their own people because they are, on the whole, better at the job. No European merchant would maintain that a firm should be compelled to employ persons of inferior business capacity, thus exposing the firm to the danger of bankruptcy.

If the Governments of Southeast Asia wish to secure a greater share of the trade of their country for their nationals, they are entitled to legislate accordingly—provided, of course, that the law does not operate harshly or unjustly by depriving an alien of one source of livelihood before he has had a chance of acquiring another. (The economic effect on a country of discriminating against aliens who discharge some useful function is another matter.)

In *Fanny's First Play* Bernard Shaw pokes fun at the critics who will not give an opinion as to the merits of the play until they know 'Who wrote it?' The inference is that such a question is an irrelevance, and that the play should be judged on its own merits. But while we have, so far, attempted to consider the charges

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452 474 of social life; the co-operative credit society includes only selected individuals who unite for specific economic ends. If a whole village were transformed into a co-operative credit society, it would at the same time be transformed from a village into a business concern. The spread of co-operative principles is much to be desired; it would encourage thrift and train the people in modern business methods, and mark a forward step towards the reintegration of native economy, the economic aspect of their social life. But, unless the limitations of the co-operative movement are appreciated, it is apt to be perverted from an instrument of native welfare into an instrument of economic progress. Ordinarily cultivators can borrow at a lower rate from a co-operative credit society than from a middleman. This should reduce the cost of production of native crops, and increase the margin between cost and yield. But competition in the market transfers the profit from the cultivators to the firms engaged in the export of tropical produce. Co-operative societies provide an attractive investment for banks and private individuals. The elimination of the middleman removes a possible competitor to western firms, and has political reactions by hindering the growth of a politically conscious middle class. In practice the multiplication of co-operative credit machinery usually outruns the spread of co-operative principles, and the co-operative credit service, established in the cause of native welfare, serves chiefly to promote the interests of western enterprise. This is the natural outcome of confounding two distinct problems: the social problem of training the people in modern business methods, and the economic problem of providing a remedy for agricultural debt.

452 474 453 In Netherlands India this distinction has been recognized, though by accident rather than design. One aspect of the Ethical movement was an attempt to foster co-operative credit. This made slow progress. The remedy for debt is to provide the cultivator with as much credit as he requires, and no more than he requires, at the lowest rate that economic conditions allow. The co-operative movement failed to solve this economic problem because the people, though quick to borrow money, were slow to accept new ideas. The Government held the view that the chief need of the cultivators was sound credit, and the co-operative societies were accordingly transformed into State banks of various types. This has been justified on the ground that if the economic problem can be solved, it will then be possible to foster co-operative credit as a social institution. Of recent years, therefore, co-operative societies have been established

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in addition to the State banks. How far the State banks have been successful in solving the economic problem is a matter of debate. The successful working of such banks demands a restriction on private credit. In Netherlands India this is provided in some measure by the application of native customary law to native lands, which prevents their alienation for debt to foreign moneylenders. But apparently the banks, nominally for agriculturists, find most of their clients among townsfolk; and some critics allege that the people borrow as much from private moneylenders as before, in addition to what is borrowed from the banks. It would appear then that the restrictions on private moneylending in Netherlands India are inadequate, but the banks do at least provide facilities for individuals to obtain credit on sound lines.

The State pawnshops in Netherlands India provide similar facilities for individuals, mainly townsfolk, to obtain temporary accommodation on a small scale. These also were an outcome of the Ethical movement, originating with the same man who started the early co-operative credit movement. Formerly the pawnshops were in the hands of the Chinese, who managed them merely with a view to profit. The pawnbrokers were cunning in sharp practice; the terms for loans were exorbitant, and the arrangements for the safe custody of pledges were unsatisfactory, while the shops were widely believed to be used as opium dens. All this has been changed, and the shops are not only a public benefit but yield a handsome revenue.

Both State banks and pawnshops illustrate the fact that the promotion of welfare does not necessitate the introduction of foreign capital. In fact they require practically no capital as, by beginning on a small scale, they can provide the capital for further development. All they require is a knowledge of the people and their economic situation, the will to promote their welfare and, above all, patience. They differ from co-operative credit societies mainly in three points. They appeal merely to economic motives, common to all men, whereas the co-operative movement urges social ideals easier to preach than to practise. They meet the requirements of individuals as such, whereas co-operative societies only meet the individual requirements of those who are willing to combine for common action. And in meeting individual requirements they fulfil their purpose, whereas the co-operative movement requires common *social* action for common *economic* ends which are prejudicial to common social life and thereby hinder common social action. Credit institutions, like public works,

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453 426 474 may give the people new opportunities of improving their condition, and, if well managed, may give some protection against economic forces, which public works, even irrigation works for the benefit of native enterprise, do not attempt. For the relation between the co-operative movement and State credit, we may find a parallel in the relation between economic services aiming to increase collective production and those aiming to increase individual production. We have noticed that ordinarily the former fail because it is impracticable to obtain collective action by a sufficient number over a sufficient area, whereas the latter may meet with some success. Yet even individuals who take advantage of the new opportunities to produce more, ordinarily receive no lasting benefit, because they are unable to withstand the economic pressure of the environment. Co-operative credit and State credit are alike intended to strengthen them against this pressure. Experience in Netherlands India suggests that State credit has better chances of success. But it is important to appreciate the conditions of success. The State banks in Netherlands India have achieved useful results because the land policy protects cultivators against the impact of the West, and not because the banks protect them against the natural consequences of this impact. Similarly the pawnshops have been useful because the State monopoly of pawnbroking protects the people against the action of economic forces, and not merely against their natural consequences. State credit has no virtue in itself. It may, as has been charged against State banks in Netherlands India, merely increase the volume of indebtedness, and it is liable to become just an instrument of economic progress instead of helping to promote welfare. As an instrument of welfare it is of value only so far as it is accompanied by other measures in a comprehensive welfare policy.

7. Western Enterprise and Labour

423 The problems arising out of tropical development by western enterprise have a different character, and are more readily apparent and more urgent. In some cases it may lead to agrarian distress, but this is found chiefly where lands available for native occupation have been curtailed by the grant of large estates for European settlement. Such conditions present special difficulties. Formerly in Burma waste lands were granted or leased for European enterprise, but this resulted in the oppression of the natives, both on the estates and in their neighbourhood, and the concessions remained uncultivated